



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

CHANNEL 5 PUBLIC BROADCASTING, INC.

September 30, 2021 and 2020



MOSSADAMS

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Report of Independent Auditors

To the Board of Trustees
Channel 5 Public Broadcasting, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Channel 5 Public Broadcasting, Inc. (PBS Reno or the Organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Channel 5 Public Broadcasting, Inc. as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Portland, Oregon
January 20, 2022

Channel 5 Public Broadcasting, Inc.
Statements of Financial Position

ASSETS

	September 30,	
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 506,570	\$ 987,492
Investments	6,727,426	4,790,538
Accounts receivable, net	45,294	72,792
Prepaid expenses and other assets	98,831	75,060
Total current assets	<u>7,378,121</u>	<u>5,925,882</u>
LAND HELD FOR SALE	560,000	560,000
PROPERTY AND EQUIPMENT, NET	2,430,325	2,618,920
OTHER ASSETS		
Beneficial interest in assets held by community foundation	<u>19,480</u>	<u>16,236</u>
Total assets	<u><u>\$ 10,387,926</u></u>	<u><u>\$ 9,121,038</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 154,064	\$ 167,597
Accrued payroll expenses	283,721	315,225
Deferred revenue	49,646	172,473
Obligations under capital lease, current portion	-	54,356
Loan payable, current portion	<u>-</u>	<u>243,036</u>
Total current liabilities	<u>487,431</u>	<u>952,687</u>
LONG-TERM LIABILITIES		
Obligations under capital lease, net of current portion	-	145,173
Loan payable, net of current portion	<u>-</u>	<u>194,429</u>
Total liabilities	<u>487,431</u>	<u>1,292,289</u>
NET ASSETS		
Without donor restrictions		
Undesignated	3,244,046	3,112,624
Board-designated endowment	<u>5,308,401</u>	<u>3,764,450</u>
Total net assets without donor restrictions	8,552,447	6,877,074
With donor restrictions		
Perpetual in nature	<u>1,348,048</u>	<u>951,675</u>
Total net assets with donor restrictions	1,348,048	951,675
Total net assets	<u>9,900,495</u>	<u>7,828,749</u>
Total liabilities and net assets	<u><u>\$ 10,387,926</u></u>	<u><u>\$ 9,121,038</u></u>

Channel 5 Public Broadcasting, Inc.
Statement of Activities
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Federal funding	\$ 1,569,703	\$ -	\$ 1,569,703
Local and state funding	122,227	-	122,227
Foundations/private grants	1,005,230	-	1,005,230
Corporate support	220,878	-	220,878
Individual giving			
Membership	1,455,890	-	1,455,890
Silver Circle	764,006	-	764,006
Education, local production, and underwriting	254,252	-	254,252
Bequests	-	97,550	97,550
Special events revenue, net of expenses totaling \$46,925	116,135	-	116,135
PBS copyright royalties	21,117	-	21,117
Gain on extinguishment of loan payable	437,465	-	437,465
Investment income, net	1,238,961	298,823	1,537,784
Other income	2,712	-	2,712
In-kind contributions	436,051	-	436,051
Change in value of beneficial interest in assets held by community foundation	3,244	-	3,244
Net assets released from restrictions	-	-	-
Total revenue, support, and gains	7,647,871	396,373	8,044,244
EXPENSES			
Program services			
Broadcasting	1,025,043	-	1,025,043
Education and outreach	555,167	-	555,167
Production	728,920	-	728,920
Programming	1,037,536	-	1,037,536
Total program services	3,346,666	-	3,346,666
Supporting services			
General and administration	982,617	-	982,617
Marketing	589,880	-	589,880
Fundraising	1,053,335	-	1,053,335
Total supporting services	2,625,832	-	2,625,832
Total expenses	5,972,498	-	5,972,498
CHANGE IN NET ASSETS	1,675,373	396,373	2,071,746
NET ASSETS, beginning of year	6,877,074	951,675	7,828,749
NET ASSETS, end of year	\$ 8,552,447	\$ 1,348,048	\$ 9,900,495

Channel 5 Public Broadcasting, Inc.
Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Federal funding	\$ 1,385,989	\$ -	\$ 1,385,989
Local and state funding	251,601	-	251,601
Foundations/private grants	1,131,148	-	1,131,148
Corporate support	254,124	-	254,124
Individual giving			
Membership	1,325,527	-	1,325,527
Silver Circle	519,887	-	519,887
Education, local production, and underwriting	115,057	-	115,057
Bequests	717,966		717,966
Special events revenue, net of expenses totaling \$41,456	102,129	-	102,129
PBS copyright royalties	303	-	303
Investment return, net	573,571	190,934	764,505
Other income	137	-	137
In-kind contributions	367,220	-	367,220
Change in value of beneficial interest in assets held by community foundation	601	-	601
Net assets released from restrictions	504,459	(504,459)	-
 Total revenue, support, and gains	<u>7,249,719</u>	<u>(313,525)</u>	<u>6,936,194</u>
EXPENSES			
Program services			
Broadcasting	997,454	-	997,454
Education and outreach	412,948	-	412,948
Production	699,943	-	699,943
Programming	1,067,424	-	1,067,424
 Total program services	<u>3,177,769</u>	<u>-</u>	<u>3,177,769</u>
Supporting services			
General and administration	891,791	-	891,791
Marketing	519,625	-	519,625
Fundraising	978,849	-	978,849
 Total supporting services	<u>2,390,265</u>	<u>-</u>	<u>2,390,265</u>
 Total expenses	<u>5,568,034</u>	<u>-</u>	<u>5,568,034</u>
 CHANGE IN NET ASSETS	1,681,685	(313,525)	1,368,160
NET ASSETS, beginning of year	<u>5,195,389</u>	<u>1,265,200</u>	<u>6,460,589</u>
NET ASSETS, end of year	<u>\$ 6,877,074</u>	<u>\$ 951,675</u>	<u>\$ 7,828,749</u>

Channel 5 Public Broadcasting, Inc.
Statement of Functional Expenses
Year Ended September 30, 2021

	Broadcasting	Education and Outreach	Production	Programming	Total Program Services	General and Administration	Marketing	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 312,954	\$ 188,288	\$ 465,540	\$ 101,552	\$ 1,068,334	\$ 341,233	\$ 134,972	\$ 471,105	\$ 947,310	\$ 2,015,644
Payroll taxes and expenses	23,134	14,036	34,384	7,472	79,026	24,144	10,325	35,494	69,963	148,989
Employee benefits	22,741	13,416	39,015	15,956	91,128	10,948	13,438	27,323	51,709	142,837
Total salaries and related expenses	358,829	215,740	538,939	124,980	1,238,488	376,325	158,735	533,922	1,068,982	2,307,470
Professional services	208,420	107,662	26,885	44,384	387,351	150,489	2,100	369,379	521,968	909,319
Program rights	-	-	-	804,327	804,327	-	-	1,440	1,440	805,767
Depreciation and amortization	150,667	-	118,666	-	269,333	82,351	7,161	778	90,290	359,623
Advertising and marketing	-	1,987	-	-	1,987	-	302,077	-	302,077	304,064
Facilities and occupancy	102,990	-	-	-	102,990	117,730	-	-	117,730	220,720
Supplies	10,199	187,857	5,279	-	203,335	31,657	8,644	5,065	45,366	248,701
Computer and equipment maintenance	100,389	-	-	25,331	125,720	10,232	-	-	10,232	135,952
Printing and publications	-	13,369	-	-	13,369	-	111,108	3,061	114,169	127,538
Donor relations	-	16,435	8,865	-	25,300	5,888	-	83,595	89,483	114,783
Rent	80,138	7,340	-	-	87,478	-	-	-	-	87,478
Insurance	-	-	-	-	-	100,654	-	-	100,654	100,654
Bank and service charges	507	-	24,556	-	25,063	12,085	-	35,660	47,745	72,808
Employee welfare and professional development	484	136	1,799	-	2,419	36,883	39	9,290	46,212	48,631
Program services	-	-	-	38,500	38,500	-	-	-	-	38,500
Dues and subscriptions	1,418	755	1,757	-	3,930	32,484	-	1,984	34,468	38,398
Travel	3,515	2,212	2,155	-	7,882	1,014	-	200	1,214	9,096
Postage	15	1,674	19	1	1,709	1,297	16	8,584	9,897	11,606
Miscellaneous	6,041	-	-	-	6,041	23,330	-	-	23,330	29,371
Board expenses	-	-	-	-	-	75	-	-	75	75
Freight/shipping	1,431	-	-	13	1,444	123	-	377	500	1,944
Total expenses by function	\$ 1,025,043	\$ 555,167	\$ 728,920	\$ 1,037,536	\$ 3,346,666	\$ 982,617	\$ 589,880	\$ 1,053,335	\$ 2,625,832	\$ 5,972,498

Channel 5 Public Broadcasting, Inc.
Statement of Functional Expenses
Year Ended September 30, 2020

	Broadcasting	Education and Outreach	Production	Programming	Total Program Services	General and Administration	Marketing	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 307,586	\$ 186,738	\$ 434,310	\$ 93,826	\$ 1,022,460	\$ 325,214	\$ 139,546	\$ 412,123	\$ 876,883	\$ 1,899,343
Payroll taxes and expenses	26,512	16,532	37,453	8,098	88,595	16,692	12,365	35,636	64,693	153,288
Employee benefits	29,352	12,438	37,686	14,575	94,051	12,480	11,536	25,644	49,660	143,711
Total salaries and related expenses	363,450	215,708	509,449	116,499	1,205,106	354,386	163,447	473,403	991,236	2,196,342
Professional services	203,771	98,132	33,614	42,010	377,527	133,608	10,567	356,546	500,721	878,248
Program rights	-	-	-	841,430	841,430	-	-	700	700	842,130
Depreciation and amortization	176,489	-	94,702	-	271,191	79,604	712	1,445	81,761	352,952
Advertising and marketing	-	-	8,031	-	8,031	-	227,840	-	227,840	235,871
Facilities and occupancy	75,779	-	-	-	75,779	105,923	-	-	105,923	181,702
Supplies	8,005	84,176	12,160	680	105,021	22,104	12,905	1,021	36,030	141,051
Computer and equipment maintenance	75,454	-	-	24,721	100,175	9,642	-	4,603	14,245	114,420
Printing and publications	-	965	-	-	965	2,958	103,297	3,470	109,725	110,690
Donor relations	-	1,839	5,993	-	7,832	13,013	-	76,243	89,256	97,088
Rent	81,116	6,270	-	-	87,386	487	-	-	487	87,873
Insurance	-	-	-	-	-	81,003	-	-	81,003	81,003
Bank and service charges	611	-	12,876	-	13,487	17,281	-	35,723	53,004	66,491
Employee welfare and professional development	511	3,514	5,682	49	9,756	35,274	323	8,605	44,202	53,958
Program services	-	-	-	42,000	42,000	-	-	-	-	42,000
Dues and subscriptions	475	-	3,359	-	3,834	28,955	450	2,870	32,275	36,109
Travel	2,008	1,683	12,953	-	16,644	2,286	-	208	2,494	19,138
Postage	25	452	37	-	514	1,464	84	13,385	14,933	15,447
Miscellaneous	9,663	209	1,023	-	10,895	2,424	-	179	2,603	13,498
Board expenses	-	-	-	-	-	1,185	-	-	1,185	1,185
Freight/shipping	97	-	64	35	196	194	-	448	642	838
Total expenses by function	<u>\$ 997,454</u>	<u>\$ 412,948</u>	<u>\$ 699,943</u>	<u>\$ 1,067,424</u>	<u>\$ 3,177,769</u>	<u>\$ 891,791</u>	<u>\$ 519,625</u>	<u>\$ 978,849</u>	<u>\$ 2,390,265</u>	<u>\$ 5,568,034</u>

See accompanying notes.

Channel 5 Public Broadcasting, Inc.

Statements of Cash Flows

	September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,071,746	\$ 1,368,160
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation and amortization	359,623	352,952
Loss on disposal of property and equipment	-	2,600
Change in value of beneficial interest held by community foundation	(3,244)	(601)
Investment return	(1,537,784)	(764,505)
Contributed land	-	(560,000)
Gain on extinguishment of loan payable	(437,465)	-
Changes in assets and liabilities		
Accounts receivable	27,498	96
Prepaid expenses and other assets	(23,771)	(19,920)
Accounts payable	(13,533)	30,822
Accrued payroll expenses	(31,504)	37,856
Deferred revenue	(122,827)	(77,792)
Net cash from operating activities	288,739	369,668
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(171,028)	(356,122)
Purchases of investments	(4,032,974)	(2,194,685)
Proceeds from sale of investments	3,633,870	2,293,385
Net cash used in investing activities	(570,132)	(257,422)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings - loan payable	-	437,465
Repayment of capital lease	(199,529)	(74,078)
Net cash (used in) from financing activities	(199,529)	363,387
Net change in cash and cash equivalents	(480,922)	475,633
CASH AND CASH EQUIVALENTS, beginning of year	987,492	511,859
CASH AND CASH EQUIVALENTS, end of year	\$ 506,570	\$ 987,492
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ -	\$ 15,815
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Contributed land	\$ -	\$ 560,000
Gain on extinguishment of loan payable	\$ 437,465	\$ -

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 1 – Organization and Nature of Operations

Channel 5 Public Broadcasting, Inc. (PBS Reno or the Organization) is a nonprofit corporation organized on January 15, 1981 under the laws of the State of Nevada to operate a public television station in Reno, Nevada. PBS Reno is supported through individual giving, federal funding, corporate support, foundations and private grants, production services and special events.

The following describes the nature of PBS Reno's program and supporting services:

Broadcasting

PBS Reno's mission is to entertain your curiosity.

Education and outreach

PBS Reno's education and outreach activities extend the value of programming into the classroom and the community. Professional development for teachers, media literacy workshops for parents, events for children and opportunities for adults to discuss important issues ensure that program services are not confined to a broadcast schedule.

Marketing

PBS Reno's marketing efforts provide area outreach to highlight all of their activities and to showcase the PBS Reno brand.

Production

PBS Reno's local production tells the stories of northern Nevada communities through all public service media.

Programming

Programming is PBS Reno's core business and is the foundation on which all other station activities rest. The programming is designed to appeal to a diverse audience, with content ranging from drama, the arts, news, public affairs, history, culture and science.

General and administration

Administration expenses include functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination of PBS Reno's programs and manage the Organization's financial and budgetary responsibilities.

Fundraising

PBS Reno's development staff manages a variety of fundraising activities which combine to keep the station financially sound. This diversity of funding sources supports all aspects of PBS Reno's services, from production and programming to education and outreach.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which is consistent with the Financial Reporting Guidelines Supplemental Guide issued by the Corporation for Public Broadcasting.

Recently adopted standards

As of October 1, 2020, PBS Reno adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective method. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 did not have a significant impact on the financial statements.

As of October 1, 2020, PBS Reno adopted ASU No. 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This guidance is intended to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required that is most important to users of the financial statements. The standard modifies the disclosure requirements on fair value measurements founded with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, including streamlining disclosures related to transfers between Level 1 and Level 2 classifications, and simplifying disclosures for Level 3 assets and liabilities. The Organization's fair value disclosures in Note 4 reflect the changes required by ASU No. 2018-13.

Financial statement presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. PBS Reno's Board has designated the use of various contributions for their discretion. The funds are used to meet operating and capital needs.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of PBS Reno and/or the passage of time. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed stipulations which must be maintained in perpetuity by PBS Reno. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

All cash and highly liquid investments with original maturities of three months or less are considered cash and cash equivalents.

Accounts receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for uplinks and underwriting and are recorded net of the allowance for doubtful accounts. An allowance for uncollectible receivables is provided based upon management's judgment, including such factors as prior collection history and type of receivable. Accounts are charged off when all collection efforts have been exhausted. Accounts receivable are reported on the statements of financial position net of the allowance for doubtful accounts of \$10,000 at September 30, 2021 and 2020.

Prepaid expenses and other assets

Prepaid expenses and other assets consist of expenses paid in advance but not yet incurred and inventory of program-related merchandise held for sale. Inventory is stated at the lower of cost or net realizable value, determined by the first-in, first-out method. No allowance for inventory obsolescence was considered necessary at September 30, 2021 and 2020.

Land held-for-sale

During the year ended September 30, 2020, PBS Reno received a donation of a parcel of land. Management's intention is to sell the land as soon as is feasible. Land held-for-sale is stated at the fair value at the date of donation and totaled \$560,000 as of September 30, 2021 and 2020.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment additions greater than \$2,500 are recorded at cost, or if donated, at estimated fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred. The estimated useful lives by asset classification are as follows:

	<u>Life in Years</u>
Building	10–40
Broadcasting and DTV equipment	2–40
Office computer equipment	3–7
Furniture and fixtures	5–15
DDF equipment	2–20
Automobiles and trucks	5–10

PBS Reno reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2021 and 2020.

Beneficial interest in assets held by community foundation

During 2013, PBS Reno established an endowment fund (the Fund) with a community foundation and named itself as beneficiary. PBS Reno granted variance power to the community foundation which allows it to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of its Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the community foundation for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Investments

PBS Reno records investment purchases at cost on the date of purchase, or if donated, at estimated fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return or loss is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external and direct internal investment expenses.

Deferred revenue

Deferred revenue is primarily underwriting production and programming advances for projects in progress. Deferred revenue is recognized as expenses are incurred.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Paycheck Protection Program (PPP) loan payable

In May 2020, PBS Reno received a PPP loan in the amount of \$437,465. See Note 6. It is PBS Reno's policy to account for this loan in accordance with ASC 470, *Debt*, with interest accrued and expensed over the term of the loan, or until forgiveness is granted, releasing PBS Reno from being the primary obligor.

Revenue and revenue recognition

Grants and contributions – PBS Reno is supported primarily through grants and contributions from a variety of sources including individuals, federal, state and local governments, foundations, and businesses. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Membership contributions are recognized when received and are not considered an exchange transaction as no benefit is received by those purchasing memberships. Conditional promises to give – that is, those with a measurement performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been substantially met in accordance with ASU No. 2018-08. As of September 30, 2020, refundable advances totaled \$112,500. There were no refundable advances as of September 30, 2021.

Underwriting – Content creation and programming is supported in the form of underwriting from individuals, businesses and community organizations. Underwriting support is recognized as revenue when broadcast. Amounts received prior to broadcast are reported as deferred revenue in the statements of financial position. As of September 30, 2021 and 2020, deferred revenue related to underwriting totaled \$49,646 and \$59,973, respectively.

Donated services and in-kind contributions – Contributed goods are recorded as in-kind contributions at estimated fair value on the date of donation. Donated services are recorded as in-kind contributions when specialized services are performed that would otherwise be purchased or performed by salaried personnel and when PBS Reno exercises control over the duties of the donor's services. See Note 10.

Advertising

Advertising costs are expensed as incurred, and totaled \$11,232 and \$9,193 during the years ended September 30, 2021 and 2020, respectively.

Fundraising expenses

All costs attributable to the production, printing, and mailing of literature to the public, that have both an educational and fundraising appeal, have been recorded as fundraising expenses in the financial statements as they do not meet the requirements for the allocation of joint costs as provided by accounting standards.

Functional allocation of expenses

The costs of conducting program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities and occupancy, depreciation and amortization, which are allocated based on a square footage basis, as well as salaries, employee benefits, payroll taxes, professional services, office expenses, computer and equipment maintenance, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income taxes

PBS Reno is organized as a Nevada nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

PBS Reno recognizes the tax benefit from uncertain tax positions, if any, only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlements. PBS Reno recognizes interest accrued and penalties related to tax matters, if any, in miscellaneous expenses.

PBS Reno had no unrecognized tax benefits at September 30, 2021 or 2020. No interest and penalties were accrued for the years ended September 30, 2021 or 2020. PBS Reno files an exempt organization return and unrelated business income tax return in the U.S. federal jurisdiction.

Financial instruments and credit risk

PBS Reno manages deposit concentration risk by placing cash and money market accounts with financial institutions that management believes to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, PBS Reno has not experienced losses in any of these accounts. Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from corporations, foundations and individuals supportive of PBS Reno's mission. Investments are made by investment managers whose performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. PBS Reno recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. PBS Reno's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. PBS Reno has evaluated subsequent events through January 20, 2022, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability

Financial assets and funding sources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30:

	2021	2020
Cash and cash equivalents	\$ 506,570	\$ 987,492
Investments	6,727,426	4,790,538
Accounts receivable	45,294	72,792
Revolving line of credit (See Note 6)	250,000	200,000
Less: Board-designated endowment	(5,308,401)	(3,764,450)
Net assets with donor restrictions	<u>(1,348,048)</u>	<u>(951,675)</u>
	<u>\$ 872,841</u>	<u>\$ 1,334,697</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Organization's Board-designated endowment of \$5,308,401 and \$3,764,450 as of September 30, 2021 and 2020, respectively, is subject to an annual spending rate as described in Note 9. Although the Organization does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditures as part of the Board's annual budget approval and appropriation), these amounts could be available if necessary.

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and mutual funds.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 4 – Beneficial Interest in Assets Held by Community Foundation, Investments, and Fair Value Measurements

Accounting literature defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. PBS Reno determines fair value based on quoted prices when available or through the use of alternative approaches, such as matrix or model pricing, when market quotes are not readily accessible or available. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect PBS Reno's market assumptions. These two types of inputs create the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. PBS Reno's own data used to develop unobservable inputs is also adjusted for market consideration when reasonably available.

PBS Reno used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the financial statements:

Investments – PBS Reno's investments are comprised of mutual funds and exchange traded funds with readily determinable fair values based on quoted market prices for identical securities in active markets with daily redemption values.

Beneficial interest in assets held by community foundation – PBS Reno's beneficial interest in assets held by community foundation is based on the fair value of fund investments as reported by the community foundation.

PBS Reno had no liabilities that are required to be measured at fair value at September 30, 2021 and 2020. There were no changes in valuation methodologies or assumptions during the years ended September 30, 2021 and 2020.

Channel 5 Public Broadcasting, Inc.
Notes to Financial Statements

Note 4 – Beneficial Interest in Assets Held by Community Foundation, Investments, and Fair Value Measurements (continued)

The following table summarizes the composition of investments and the fair value hierarchy table at September 30, 2021:

Fair Value Measurements at Report Date Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds				
Domestic equities	\$ 4,166,628	\$ 4,166,628	\$ -	\$ -
International equities	958,263	958,263	-	-
Fixed income	1,301,463	1,301,463	-	-
Exchange traded funds	301,072	301,072	-	-
	<u>\$ 6,727,426</u>	<u>\$ 6,727,426</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundation	<u>\$ 19,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,480</u>

The following table summarizes the composition of investments and the fair value hierarchy table at September 30, 2020:

Fair Value Measurements at Report Date Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds				
Domestic equities	\$ 3,357,607	\$ 3,357,607	\$ -	\$ -
International equities	730,045	730,045	-	-
Fixed income	702,886	702,886	-	-
	<u>\$ 4,790,538</u>	<u>\$ 4,790,538</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundation	<u>\$ 16,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,236</u>

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 5 – Property and Equipment

Property and equipment consists of the following at September 30:

	2021	2020
Building	\$ 2,916,775	\$ 2,876,177
Broadcasting and DTV equipment	5,154,292	5,053,648
Office computer equipment	123,143	80,149
Furniture and fixtures	176,285	176,285
DDF equipment	509,067	509,067
Automobiles and trucks	63,126	63,126
	8,942,688	8,758,452
Less accumulated depreciation and amortization	(6,512,363)	(6,139,532)
	<u>\$ 2,430,325</u>	<u>\$ 2,618,920</u>

Note 6 – Loan Payable and Line of Credit

In May 2020, PBS Reno received a loan through the Small Business Administration (SBA) in the amount of \$437,465 under the criteria outlined in the Paycheck Protection Program (PPP) of the CARES Act of 2020. Under the terms of the agreement, interest payments were due starting November 2020 and interest accrued at a rate of 1.00% per annum. In December 2020, the Organization received notification from the SBA that the Organization's loan had been fully forgiven.

At September 30, 2021 and 2020, PBS Reno has an unsecured revolving line of credit with an approved maximum borrowing limit of \$250,000 and \$200,000, respectively, from a bank. Borrowings under the line of credit bear interest at a variable rate (4.25% and 5.75% at September 30, 2021 and 2020, respectively). There was no outstanding balance at September 30, 2021 or 2020. The line of credit will mature on June 23, 2022 and requires a 20% compensating balance arrangement by PBS Reno when an amount is drawn.

Note 7 – Commitments and Contingencies

Operating leases

In 1994, PBS Reno entered into a ninety-nine year operating lease with the University of Nevada – Reno (the University) for the land on which the Organization's building is located. In consideration of the lease, PBS Reno provides the University air time for its announcements and programs. PBS Reno also provides access to its production facilities for the University's media programs. This arrangement has been recorded as in-kind contributions on the statements of activities and facilities and occupancy expense on the statements of functional expenses.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 7 – Commitments and Contingencies (continued)

The Organization leases certain office equipment and land on which its broadcasting towers are located under various operating leases expiring at various dates through December 2024.

Future minimum payments associated with the operating lease agreements for succeeding years ending September 30 are as follows:

2022	\$ 54,741
2023	56,512
2024	32,279
2025	<u>7,482</u>
	<u>\$ 151,014</u>

Rent expense for the years ended September 30, 2021 and 2020 totaled \$87,478 and \$87,873, respectively.

Capital leases

As of September 30, 2020, PBS Reno leased certain equipment under capital lease. All lease payments associated with capital lease agreements were paid in full during the year ended September 30, 2021.

Leased property and equipment under capital leases at September 30 includes:

	<u>2021</u>	<u>2020</u>
Broadcasting and DTV equipment	\$ 303,588	\$ 303,588
Office computer equipment	<u>27,973</u>	<u>27,973</u>
	331,561	331,561
Less accumulated amortization	<u>(137,158)</u>	<u>(85,907)</u>
	<u>\$ 194,403</u>	<u>\$ 245,654</u>

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 8 – Net Assets Released from Restriction

Net assets were released from restriction as follows during the years ended September 30:

	2021	2020
Satisfaction of purpose restrictions:		
Reclassifications and other redesignations	\$ -	\$ 468,020
Endowment earnings	-	36,439
	<u>\$ -</u>	<u>\$ 504,459</u>

Note 9 – Endowment

PBS Reno's endowment consists of six endowment funds established by donors to provide annual funding for specific activities and general operations. PBS Reno's endowment also includes certain net assets designated for endowment by the Board of Trustees. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Nevada Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. At September 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, PBS Reno retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not maintained in perpetuity are subject to appropriation for expenditure by PBS Reno in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, PBS Reno considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of PBS Reno and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of PBS Reno
7. The investment policies of PBS Reno

Channel 5 Public Broadcasting, Inc.
Notes to Financial Statements

Note 9 – Endowment (continued)

Investment and spending policies

PBS Reno has a spending policy which governs the rate at which funds are transferred from the Board designated and donor-restricted endowment to the operating budget. The annual allocations to the operating fund are calculated as a percentage of the endowment market value. Year-to-year fluctuations caused by changes in market value are moderated by using a moving average, computed on the last three years of endowment market values. The annual allocation to the operating fund was limited to 4.50% and 4.75% as of September 30, 2021 and 2020, respectively, of the three-year moving average of the endowment market value. Transfers were made in accordance with the spending policy and were \$5,032 and \$297,158 during the years ended September 30, 2021 and 2020, respectively.

Periodically, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires PBS Reno to retain as a fund of perpetual duration. There were no such deficiencies reported as of September 30, 2021 or 2020.

Changes in the endowment net assets for the year ended September 30, 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, September 30, 2020	\$ 3,764,450	\$ 951,675	\$ 4,716,125
Investment return, net	1,238,961	298,823	1,537,784
Contributions	310,022	97,550	407,572
Appropriation of endowment assets pursuant to spending-rate policy	(5,032)	-	(5,032)
Endowment net assets, September 30, 2021	<u>\$ 5,308,401</u>	<u>\$ 1,348,048</u>	<u>\$ 6,656,449</u>

Changes in the endowment net assets for the year ended September 30, 2020 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, September 30, 2019	\$ 2,834,671	\$ 1,265,200	\$ 4,099,871
Investment return, net	573,571	190,934	764,505
Contributions	148,907	-	148,907
Reclassifications and other redesignations	468,020	(468,020)	-
Appropriation of endowment assets pursuant to spending-rate policy	(260,719)	(36,439)	(297,158)
Endowment net assets, September 30, 2020	<u>\$ 3,764,450</u>	<u>\$ 951,675</u>	<u>\$ 4,716,125</u>

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 9 – Endowment (continued)

During 2020, the Organization underwent an analysis of the Organization's net assets held in perpetuity, including contacting donors. As a result of the analysis, an endowment was identified that was no longer restricted in perpetuity and has been recorded as a reclassification in the footnote above.

Note 10 – Donated Professional Services and Materials

PBS Reno received the following donated professional services and materials during the years ended September 30:

	2021	2020
Advertising and marketing	\$ 292,832	\$ 226,677
Facilities and occupancy	117,730	105,923
Printing and publications	15,991	11,563
Computer and equipment maintenance	7,990	-
Rent	1,508	1,468
Professional services	-	13,989
Donor relations	-	7,600
	<u>\$ 436,051</u>	<u>\$ 367,220</u>

Volunteers contribute significant amounts of time to PBS Reno's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Note 11 – Employee Benefits

PBS Reno sponsors a salary deferral and discretionary profit-sharing plan under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees. The plan provides that employees who have completed ninety days of full-time employment may voluntarily contribute up to the maximum allowed by the IRS. PBS Reno matches 50% of employee contributions up to 3%. Contributions made during the years ended September 30, 2021 and 2020 totaled \$25,699 and \$24,470, respectively.

Note 12 – Uncertainty Related to COVID-19 Pandemic

Since March 2020, financial markets and economic conditions have undergone a significant negative impact as a result of the COVID-19 global pandemic. The extent of the impact of COVID-19 on PBS Reno's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the related impact on contributors and grantors, employees, and vendors, all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact PBS Reno's financial position and results of operations cannot be reasonably estimated at this time.

